
MEMORANDUM

TO: GOVERNMENT OVERSIGHT COMMITTEE
FROM: ED COOK, SENIOR LEGAL COUNSEL, LEGISLATIVE SERVICES AGENCY
SUBJECT: IOWA LOTTERY AUTHORITY PRESENTATION
DATE: 6/1/2006

I. SCOPE OF PRESENTATION:

Discuss the legislation relating to the establishment of the Iowa Lottery Authority, and its impact, if any, on the games the authority is authorized to offer to the public.

II. BACKGROUND

The Iowa Lottery was established in May 1985 as a division of the Department of Revenue and Finance. During the 2003 session, legislation was enacted that created the Iowa Lottery Authority. The legislation creating the Authority was Senate File 453 (2003 Iowa Acts, ch 178) and was entitled, "An Act relating to state and local government financial and regulatory matters, making and reducing appropriations, providing a fee, increasing civil penalties, and providing applicability and effective dates." Division XVIII of that legislation created the Iowa Lottery Authority by striking Chapter 99E and replacing it with new Chapter 99G. The Iowa Lottery Authority division of the legislation was drafted as an amendment to Senate File 453. (S-3319).

III. IMPACT OF LEGISLATION

A. Governance

The legislation established the Lottery as an independent authority within the executive branch. Previously, the Lottery was a division of the department of revenue and finance.

Code section 7E.4 defines "authority" as "a body with independent power to issue and sell bonds."

99G.4 - Iowa Lottery Authority is deemed a public authority and an instrumentality of the state and not a state agency except for specified provisions (17A, 21, 22, et al).

99G.5 - CEO appointed by governor and subject to senate confirmation. The CEO serves a 4 year term and may be removed during the term only for malfeasance in office. (initial term ends April 30, 2008) Previously, the Iowa Lottery Commissioner served at the pleasure of the governor.

B. Budgeting

Iowa lottery board has budgeting authority - not GA under the 2003 legislation. The CEO prepares the budget for the board (99G.7(1)(e)) and the board then approves the budget (99G.9(1)).

The CEO sends, for informational purposes only, a proposed operating budget and an estimate of the net proceeds to DOM. Copies, by October 1, shall be sent to LSA and Government oversight committee. 99G.40(4)

Previously, the budget for the Iowa lottery division was approved through the appropriations process.

C. Employment

CEO has FTE authority 99G.10(3). Previously, the Lottery commissioner could employ necessary personnel with the approval of the director of the Department of Revenue and Finance. (99E.4(2)).

CEO sets employee compensation for key personnel - CEO decides who are key personnel - 99G.10(2). Non key personnel subject to merit system and chap 20. Previously, the law provided for the designation of 3 lottery administrators who would be exempt from the merit system. (99E.14)

D. Financing

1. Similarities: Self-sustaining (99G.38, 99E.21)

2. Differences:

a. Bonding authority 7E.4

b. Acquire or lease property (real property, equipment. (99G.21(2)(h)) Authority subject to Government oversight committee notification and executive council approval if over \$1 million. (99G.21(3))

c. Contracts to incur debt - financing agreements. 99G.21(2)(i) Authority subject to Government oversight committee notification and executive council approval if over \$1 million. (99G.21(3))

d. Borrowing authority. 99G.38(1)

E. Game specific changes

1. Prior law.

99E.2 - had definition of "instant lottery" and "on-line lotto."

99E.9(3)9(b) Board duties section also provides for other games: "The board shall authorize instant lottery and on-line lotto games and may authorize the use of any type of lottery game that on May 3, 1985, has been conducted by a state lottery of another state in the United States, or any game that the board determines will achieve the revenue objectives of the lottery and is consistent with subsection 1.(maximize net revenues and maintain dignity of state and general welfare of the people) However, the board shall not authorize a game using an electronic computer terminal or other device if, upon winning a game, the terminal or device immediately dispenses coins or currency or a ticket, credit or token which is redeemable for cash or a prize. In a game utilizing instant tickets other than pull-tab tickets, each ticket in the game shall bear a unique consecutive serial number distinguishing it

from every other ticket in the game, and each lottery number or symbol shall be accompanied by a confirming caption consisting of a repetition of a symbol or a description of the symbol in words. In the game other than an instant game which uses tangible evidence of participation, each ticket shall bear a unique serial number distinguishing it from every other ticket in the game.

Intent language: 2002 Acts, 2nd Extraordinary session, chapter 1003, section 21. (effective July 1, 2002)

3. VIDEO LOTTERY. It is the intent of the general assembly that the lottery should investigate whether the deployment of vending machines with video screens would enhance the lottery's ability to perform its statutory duties and if, in the business judgment of the lottery commissioner and the lottery board, it would do so, that the lottery is authorized to establish a plan to implement the deployment of pull-tab vending machines with video monitors consistent with the requirements of this subsection. At a minimum, the deployment plan shall include provisions for restricting access to these machines by minors, including but not limited to requirements relating to the location of these machines. Prior to implementing the deployment plan as described in this subsection, the lottery shall notify the legislative oversight committee and shall submit a report to the committee describing the deployment plan, including measures the lottery will implement to restrict access to the machines by minors.

2. Current law, as modified by SF 2330 during the 2006 session..

99G.2 - Keeps former definitions of "instant lottery" and "on-line lotto" and adds definition for "pull-tab ticket" and "Lottery". The "Lottery" definition was amended by SF 2330 and a definition for monitor vending machines was added. Current law regarding the definition of "Lottery" and "Monitor vending machines" is as follows:

99G.2 (7). "Lottery", "lotteries", "lottery game", "lottery games" or "lottery products" means any game of chance approved by the board and operated pursuant to this chapter and games using mechanical or electronic devices, provided that the authority shall not authorize a monitor vending machine or a player-activated gaming machine that utilizes an internal randomizer to determine winning and nonwinning plays and that upon random internal selection of a winning play dispenses coins, currency, or a ticket, credit, or token to the player that is redeemable for cash or a prize, and excluding gambling or gaming conducted pursuant to chapter 99B, 99D, or 99F.

99G.2(8A) "Monitor vending machine" means a machine or other similar electronic device that includes a video monitor and audio capabilities that dispenses to a purchaser lottery tickets that have been determined to be winning or losing tickets by a predetermined pool drawing machine prior to the dispensing of the tickets.